



Boards need directors who are willing to devote the time required to effectively carry out their role as a director; and have expertise in various areas – fundraising, networking, risk management, talent, technology, finance, sustainability, social media and more – that may impact the organization. In addition, many boards need directors who can assist the organization in communicating with stakeholders and educating, developing, coaching and mentoring the organization’s people, including management. Depending on the organization and its circumstances, some boards may need directors with unique experience, such as expertise in dealing with regulatory agencies. Recruiting and retaining qualified independent directors is challenging for any organization, particularly for NPOs where directors normally serve as volunteers. Nevertheless, NPOs need balanced, diversified and fully committed boards.

The board chair - The choice of who will chair the board is one of the most important decisions a board will make since the effectiveness of the board and its chair is generally synonymous. The board chair must possess all of the traits and capabilities of a good board member. In addition, the chair must be able to provide leadership and convey the board’s “vision” to management and the NPO’s stakeholders. It is also important that the board chair have the authority and force of personality to be able to control the board’s agenda and its meetings, and the determination to hold management accountable for its actions.

Size of the board - NPO boards should periodically review their size and membership to ensure that they are conducive to effective decision-making. For example, if the board is too large, individual members may lose a sense of personal accountability for board decisions, or decision-making can become unwieldy. On the other hand, a board that is too small may mean that board members are stretched too thin to be able to address all of their responsibilities to the appropriate depth. If the board is required to reflect particular constituencies (such as national NPO boards, which often must have a representative from each region), are meetings organized so that these members can participate by telephone or electronically? There is no “one size fits all” answer to the challenging issue of ideal board size. However, experience suggests that a board of 12 to 15 persons seems to work well. That being said, certain circumstances warrant smaller or larger numbers. If a very large board is necessary to reflect abroad constituent base, then a strong, empowered executive committee may be the answer.

Board committees - Today, boards conduct an increasing amount of their work through committees. In the corporate world, regulators have promoted this practice. For example, they have placed more responsibilities on audit committees and compensation committees. In many instances, members of key board committees may have a degree of responsibility above those of other board members, in light of the role these committees play in the governance process. This might be the case for members of an executive committee that has the authority to make decisions on the board's behalf between board meetings. Each NPO board should carefully determine the committees it needs and be sure that the roles, responsibilities, membership, etc. of those committees are appropriate and clearly defined.

Audit committee - The audit committee is now a vital element in corporate governance. NPOs with an audit will also benefit from an audit committee, ideally comprised of three or more independent board members who have experience in financial reporting. The audit committee's responsibilities include:

- Helping to ensure that the audit is conducted in an efficient and cost-effective manner
- Overseeing the NPO's financial systems and internal controls
- Recommending to the board approval of the NPO's annual audited financial statements and
- Recommending to the board the independent auditor for appointment or replacement, approving and overseeing the independent auditor's activities, and approving the appropriate fee.

Although a governance best practice is to have separate audit and finance committees, in smaller NPOs the finance or resources committee often assumes the audit committee's responsibilities.

Nominating committee - Most public company boards have a nominating committee responsible for proposing new members to the board. Many NPO boards will likely also find it useful to have a nominating committee. For example, in some NPOs, board members are elected by the NPO's membership at large. While this is highly democratic, it may not produce the mix of directors needed to form an effective board. Boards need members who work well as a team, bring the necessary expertise to the board, and are able to best represent the interest of the NPO as a whole and not just a particular constituency. A formal nominating committee also helps the board to plan the terms and rotation of its members. This can provide continuity among the board members as a whole.

Governance committee - An increasingly common practice among corporate boards is for them to have a governance committee. NPO boards could also benefit from this practice and many have already done so. The governance committee is responsible for ensuring that an appropriate governance model is in place and for coordinating the evaluations of the board, its committees and individual board members. The governance committee is also responsible for ensuring the compliance of the board, management

and others with the policies and procedures of the board and the organization. Some boards integrate the responsibilities for governance oversight and director nominations in the mandate of a governance committee or a combined governance and nominating committee.

Orientation and continuing board education - Orientation and education programs are a best practice that help speed the time it takes for new directors to become productive members of the board. NPO boards should establish a formal orientation program to help ensure that new board members clearly understand their responsibilities and the role, structure and processes of the board, ensure that they are familiar with the issues facing the organization, and accelerate their ability to contribute to the board's business and the matters currently under consideration by the board. Among the essential program ingredients are a practical briefing book and a discussion with the board chair regarding issues and expectations. Another governance best practice is the provision of continuing board education, either during an annual board retreat or throughout the year as part of, or in conjunction with, board meetings. The objective of these sessions should be to keep board members up-to-date on emerging issues, such as relevant new laws, regulations and governance best practices.

Issues for boards to consider:

- Does the board's mandate describe the structure (number and qualifications of members, board leadership, responsibilities, etc.) for the board and each of its committees? Does the board periodically review this documentation for accuracy and relevance?
- How long does a person normally serve on the board? If there is a high turnover of members from year to year, what processes facilitate the continuity of policies and actions? Is there a succession plan for the board?
- How are new board members selected? Is there a nominating committee? Does the volunteer nature of board membership affect its ability to attract and retain board members, particularly in an increasingly litigious environment?
- Does the NPO have an audit and, if so, is there an audit committee? If the NPO has a combined finance/ audit committee, what steps are taken to see that this committee devotes sufficient time to its audit responsibilities?
- Does the board have an orientation program for new members to enable them to more quickly get up to speed and be able to participate effectively on the board? Is there a continuing education program?

Board information - Boards must ensure that they have the information they need to assess the activities of the NPO and its management. The quality of discussion at the board's meetings will depend, in large part, on the quality of the information provided to the board. This information must be complete, yet not so detailed that it is too focused on operational matters or becomes too unwieldy for board members to absorb. The appropriate level of detail should be determined by the board, together with management, based on a common understanding of the reasons why the board requires the

information and its uses for that information. The board chair is responsible for ensuring that the board's information needs are met. Normally, it is management's role to produce the required information in a timely and meaningful way. The chair should clearly communicate the board's expectations to management and review the material provided by management prior to its distribution to the board. In setting the board's expectations for management with regard to its information needs, the board should consider the:

- Issues and activities about which it needs to be kept informed by management. For example, the board may wish to receive periodic reports and assurances from the CFO on the NPO's investment activities, that the NPO is in compliance with all applicable tax obligations including payroll withholding, sales tax, timely filing of returns and that the NPO's activities do not contravene those permitted under the tax regulations
- Timing of the delivery of information to the board
- Quality of the information, including the expected level of detail
- Format of the information (written or through presentations made by management or others)
- Expectations of the board chair with respect to meeting agendas, and
- Requirements of the board chair for reviewing information material before it is distributed to the board as a whole. By making clear their expectations regarding their information needs, boards can better ensure that they are able to hold effective discussions about key issues among themselves and with members of management

Audit and other information - While management is primarily responsible for providing the board with the information it requires, there will be instances when that task falls to others. Some of these matters will be routine. For example, in NPOs with audits, the board (or its audit committee) will receive a report from the independent auditor on their audit activities. Because this is a recurring reporting relationship, the board may wish to set out its specific expectations for the independent auditor regarding its information needs. On occasion, the board may wish to seek outside advice on issues where there is not sufficient in-house expertise. Examples of such special needs may include a lawsuit, a significant reorganization, a major financing transaction, or the need for assistance with information systems.

The board's work plan - The board's written mandate or charter, together with the organization's strategic plan, should be translated into a work plan for the board. This will ensure that the board carries out all of the responsibilities and duties outlined in the mandate and remains focused on the organization's objectives. Preparing a board work plan is a straightforward process. The board chair, in consultation with management, should allocate each responsibility identified in the mandate to a specific meeting agenda and the date at which the item will be discussed. The work plan should also identify the board's information requirements for each item and identify who should be accountable for providing the board with that information. To facilitate this effort, the board may wish to consolidate

responsibilities of a similar nature, for example, environment, conflict of interest, appropriate board expenditures, financial, personnel/human resources, human rights, diversity, discrimination, etc.

Board meetings - The practical aspects of board's meetings are important, and can have a big impact on the board's effectiveness. The board chair and the CEO should agree on the agenda for each board meeting, which should devote appropriate time for discussion of each of the board's primary responsibilities. When necessary, there should be time allocated for additional matters not included in the board work plan that management, the independent auditor or others may wish to put before the board. Board members should also be able to provide input to the board's agenda. Board meetings should also be scheduled to include time at the end of each meeting for the board members to hold an in camera session (i.e., without management present) to give the board an opportunity to discuss sensitive issues in a timely and confidential manner. In camera sessions should also be held periodically with the independent auditor, the head of internal audit, the in-house legal counsel and the external legal advisors, where applicable. If board members are unavoidably absent from a board meeting, they should receive sufficient information to enable them to understand the decisions that were made. They should also have the opportunity to record their dissent should they disagree with any action taken.

Minutes - In NPOs where board members serve for comparatively short terms, there can be a danger of the board losing its "collective memory" of past decisions. (This occurs when none of the members that made a particular decision is still on the board when that decision is reviewed in later years.) Boards should document their discussions and decisions in sufficient detail in a way that makes them easily accessible and understandable by future boards. For example, resolutions should be captured in a board policy document. Clear, detailed and organized minutes will also support directors' due diligence defence should a liability claim arise.